

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Alternative Investments  
Activity Status Report

ITEM NUMBER: 13

ATTACHMENT(S): 2

ACTION: \_\_\_\_\_

DATE OF MEETING: September 2, 1998

INFORMATION: X

PRESENTER(S): Mr. Desrochers

The table below contains Alternative Investment activity for the month of July 1998 and historical information for selected time periods.

	7/31/98	To Date	One Year	Three Years	To Date
<b>Commitments:</b>					
Partnerships	50,000,000	50,000,000	1,484,924,000	2,925,047,000	4,299,341,476
Co-Investments	0	0	0	47,000,000	47,000,000
<b>Contributions:</b>					
Partnerships	104,299,648	104,299,648	627,603,780	1,268,375,258	2,054,886,332
Co-Investments	0	0	0	47,000,000	47,000,000
<b>Distributions:</b>					
Cash	21,043,400	21,043,400	377,417,379	813,529,680	977,395,770
Stock	12,937,097	12,937,097	133,283,033	314,902,290	406,266,849
<b>Stock Sales</b>	3,783,529	3,783,529	99,480,930	257,360,319	329,338,673

Attachment 1 contains a summary of partnership commitments and capital accounts from the inception of the Alternative Investment program through July 31, 1998.

Attachment 2 contains an executive summary of action taken under delegation of authority for a \$50 million commitment to NEA VIII.

STRS ALTERNATIVE INVESTMENTS										
PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES										
JULY 1998										
	Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	STRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
1	Alpine Technology Partners	VC	Sep-94	Dec-8-94	60,000,000	60,000,000	34,000,000	0	34,000,000	0
2	Alta V	VC	Apr-92	May-27-92	159,470,000	20,000,000	20,000,000	6,269,040	13,730,960	23,371,027
3	Alta Communications VI	SS	Apr-96	May-09-96	161,200,000	20,000,000	17,000,000	0	17,000,000	0
4	Alta Communications VII	SS	Jun-98	July-09-98	271,490,000	30,000,000	0	0	0	0
5	Austin Ventures V	VC	Jan-97	Jan-16-97	170,000,000	15,000,000	6,794,118	0	6,794,118	0
6	Bank Fund III	SS	Jan-93	Jan-22-93	125,000,000	10,000,000	10,000,000	0	10,000,000	5,362,098
7	BCI Growth III	SS	Feb-90	Mar-30-90	135,500,000	15,000,000	15,000,000	11,289,414	3,710,586	12,311,298
8	BCI Growth IV	SS	Mar-95	Oct-25-95	175,253,000	25,000,000	16,913,741	513,540	16,400,201	802,362
9	Blackstone Capital Partners II	LBO	Oct-93	Nov-03-93	1,271,400,000	75,000,000	63,401,471	17,162,316	46,239,155	31,541,795
10	Blackstone Capital Partners III	LBO	Jun-97	Jun-27-97	3,750,000,000	300,000,000	42,523,064	0	42,523,064	14,566
11	Boston Ventures IIIA	SS	Apr-89	Apr-27-89	286,000,000	35,598,029	35,598,029	30,244,319	5,353,710	35,670,511
12	Boston Ventures IVA	SS	Oct-92	Nov-10-92	515,000,000	55,312,500	49,228,125	34,405,455	14,822,670	38,802,945
13	Boston Ventures V	SS	May-96	Sep-30-96	808,080,000	90,000,000	25,216,981	0	25,216,981	0
14	Candover 1994 Fund	LBO	Mar-94	May-18-94	490,000,000	32,900,000	22,991,969	5,693,307	17,298,662	14,184,023
15	Candover 1997 Fund	LBO	Nov-97	Dec-10-97	1,411,000,000	138,200,000	16,891,327	0	16,891,327	0
16	Charterhouse Equity Partners	LBO	Jul-89	Jul-27-89	264,900,000	27,160,000	28,160,105	12,234,999	15,925,106	32,329,660
17	Charterhouse Equity Partners II	LBO	Jun-93	Dec-17-93	291,250,000	40,000,000	39,438,924	5,582,757	33,856,167	19,753,675
18	Cornerstone Equity Investor IV	VC	Nov-96	Dec-6-96	550,000,000	40,000,000	12,400,000	0	12,400,000	0
19	Corporate Partners	SS	Apr-88	Jun-24-88	1,396,000,000	100,000,000	88,242,662	63,337,711	24,904,951	75,204,678
20	CVC European Equity Partners	LBO	Nov-95	Feb-27-96	562,000,000	40,000,000	39,883,355	2,702,776	37,180,579	4,292,955
21	CVC European Equity Partners II	LBO	Apr-98	Jun-03-98	1,915,000,000	300,000,000	52,320,816	0	52,320,816	0
22	Domain Partners III	VC	Jan-95	Feb-24-95	125,000,000	10,000,000	8,000,000	400,781	7,599,219	1,347,465
23	ECI 5	LBO	Nov-94	Apr-27-95	128,000,000	16,000,000	14,200,467	307,395	13,893,072	3,806,168
24	First Reserve Fund VI	SS	Jan-92	Jan-29-92	184,184,000	25,000,000	25,000,000	9,923,997	15,076,003	15,060,876
25	First Reserve Fund VII	SS	Jan-97	Feb-21-97	243,900,000	25,000,000	12,758,399	1,783,702	10,974,697	2,797,818
26	First Reserve Fund VIII	SS	Apr-98	Apr-16-98	800,000,000	100,000,000	3,530,873	0	3,530,873	0
27	FS Equity Partners III	LBO	Mar-93	Aug-26-93	559,800,000	60,000,000	59,040,413	17,925,583	41,114,830	23,787,101
28	FS Equity Partners IV	LBO	Oct-97	Dec-31-97	915,000,000	87,500,000	22,685,738	0	22,685,738	0
29	Golder, Thoma, Cressey III	SS	Dec-91	Dec-12-91	235,000,000	4,633,908	4,633,908	2,218,557	2,415,351	15,941,592
30	Golder, Thoma, Cressey IV	SS	Mar-93	Apr-06-93	312,000,000	35,000,000	33,250,000	11,670,603	21,579,397	24,321,416
31	Golder, Thoma, Cressey V	SS	Jul-96	Jul-26-96	521,000,000	40,000,000	27,200,000	90,786	27,109,214	601,209
32	InnoCal Fund	VC	Jan-93	Apr-1-93	75,800,000	75,000,000	56,700,000	5,251,833	51,448,167	6,957,352
33	InterWest Partners IV	VC	May-89	Jun-16-89	110,000,000	10,000,000	10,000,000	3,353,423	6,646,577	11,441,030
34	InterWest Partners V	VC	Apr-93	Jun-17-93	175,000,000	15,000,000	15,000,000	975,836	14,024,164	42,636,600
35	InterWest Partners VI	VC	Jun-96	Jun-27-96	175,000,000	15,000,000	8,400,000	0	8,400,000	0
36	Kelso Investment Advisors V	LBO	Jan-93	Dec-23-93	710,000,000	50,000,000	45,329,982	1,841,131	43,488,851	6,758,392
37	Kelso Investment Advisors VI	LBO	Feb-98	Mar-98	1,500,000,000	150,000,000	1,736,712	0	1,736,712	0
38	KKR 1996 Fund	LBO	Oct-96	Dec-20-96	6,012,000,000	300,000,000	102,311,479	0	102,311,479	568,507
39	Madison Dearborn	SS	Jun-92	Dec-18-92	550,000,000	50,000,000	48,067,446	10,449,657	37,617,789	25,149,674
40	Madison Dearborn II	SS	Apr-96	Jun-27-96	925,000,000	60,000,000	18,547,341	0	18,547,341	0

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PARTNERSHIP COMMITMENTS AND CAPITAL SUMMARIES										
JULY 1998										
	Partnerships	Type	Date STRS Approved	Closing Date	Fund Size	STRS Commitment	Amount Funded	Returned Capital	Net Invested Capital	Income & Gain
41	Marlborough Capital	SS	Mar-91	Apr-01-91	70,700,000	10,000,000	9,873,150	4,661,204	5,211,946	3,453,906
42	Mayfield VII	VC	Nov-92	Dec-28-92	165,000,000	10,000,000	10,000,000	1,946,054	8,053,946	6,915,003
43	Media/Communications II	SS	Apr-90	Dec-20-90	167,000,000	30,000,000	30,000,000	16,833,550	13,166,450	29,070,245
44	Media/Communications III	SS	Dec-96	Dec-24-96	265,000,000	30,000,000	16,531,716	0	16,531,716	0
45	Mezzanine Lending Assoc III	SS	Feb-89	Mar-08-89	500,000,000	50,000,000	35,524,875	16,219,982	19,304,893	32,063,703
46	NEA V	VC	Mar-90	May-29-90	200,000,000	25,000,000	25,000,000	10,428,777	14,571,223	53,307,644
47	NEA VI	VC	Oct-93	Dec-22-93	230,000,000	35,000,000	35,000,000	4,574,911	30,425,089	19,465,631
48	NEA VII	VC	Nov-96	Nov-19-96	265,000,000	40,000,000	30,000,000	542,594	29,457,406	551,828
49	OCM Opportunities Fund II	SS	Sep-97	Oct-31-97	1,500,521,000	25,000,000	10,000,822	0	10,000,822	63,014
50	Penman Fund	LBO	May-93	Oct-05-94	88,700,000	10,000,000	5,163,090	550,282	4,612,808	170,803
51	Phildrew Ventures IV	LBO	Sep-95	Nov-13-95	257,000,000	20,000,000	13,109,883	1,491,794	11,618,089	756,241
52	Stonington Capital Appreciation	LBO	Sep-94	Dec-15-94	992,000,000	85,000,000	53,382,150	0	53,382,150	96,280
53	Summit Subordinated Debt Fund	SS	Feb-94	Mar-14-94	335,000,000	10,000,000	9,000,000	8,502,141	497,859	2,474,959
54	Summit Subordinated Debt Fund II	SS	Jan-97	Jan-31-97	141,400,000	20,000,000	7,000,000	140,567	6,859,433	229,396
55	Summit Ventures III	VC	Jan-92	Jan-23-92	279,200,000	15,000,000	13,500,000	10,066,495	3,433,505	28,467,389
56	Summit Ventures IV	VC	Jul-95	Jul-31-95	610,000,000	30,000,000	27,000,000	5,020,774	21,979,226	11,658,832
57	Summit Ventures V	VC	Feb-98	Feb-13-98	1,000,000,000	45,000,000	7,875,000	0	7,875,000	758
58	Syndicated Communications II	SS	Nov-89	Nov-01-90	35,000,000	7,037,039	7,037,039	2,993,947	4,043,092	2,722,766
59	TA/Advent VIII	VC	Oct-96	Nov-4-96	800,000,000	10,000,000	2,900,000	0	2,900,000	5,229
60	Thoma Cressey VI	SS	May-98	May-19-98	450,000,000	60,000,000	0	0	0	0
61	Thomas H. Lee Equity Fund III	LBO	Oct-95	Dec-28-95	1,345,000,000	100,000,000	70,384,544	30,566,088	39,818,456	32,570,031
62	Thomas H. Lee Equity Fund IV	LBO	Jan-98	Feb-09-98	3,450,000,000	150,000,000	11,088,813	0	11,088,813	3,390
63	Warburg, Pincus Investors	SS	Jun-89	Sep-27-89	1,775,000,000	100,000,000	100,000,000	76,096,290	23,903,710	36,947,874
64	Warburg, Pincus Ventures	SS	Jul-94	Nov-04-94	2,022,000,000	110,000,000	99,000,000	8,344,380	90,655,620	7,124,363
65	WCAS Debt II	SS	Sep-90	Oct 03-90	354,000,000	30,000,000	30,000,000	6,299,709	23,700,291	21,713,785
66	WCAS Debt III	SS	May-97	May-30-97	1,279,000,000	100,000,000	20,000,000	0	20,000,000	912,408
67	WCAS V	LBO	Dec-88	Jan-27-89	371,363,636	30,000,000	30,000,000	14,295,436	15,704,564	80,550,254
68	WCAS VI	LBO	Apr-93	May-12-93	604,000,000	50,000,000	50,000,040	7,273,778	42,726,262	20,674,444
69	WCAS VII	LBO	Sep-95	Oct-06-95	1,425,000,000	150,000,000	112,500,000	0	112,500,000	0
70	WCAS VIII	LBO	Jun-98	Jun-30-98	3,150,000,000	300,000,000	15,000,000	0	15,000,000	0
71	Whitney 1990	SS	Nov-90	Mar-28-91	136,400,000	15,000,000	16,617,765	7,543,777	9,073,988	21,413,038
					\$53,288,511,636	\$4,299,341,476	\$2,054,886,332	\$490,021,448	\$1,564,864,884	\$888,200,007
<b>Co-Investments</b>										
1	Bridge Financial Info. - WCAS VII	CI	Jul-96			30,000,000	30,000,000	0	30,000,000	0
2	Hines Holding - Madison Dearborn II	CI	Nov-96			17,000,000	17,000,000	17,000,000	0	3,842,198
						47,000,000	47,000,000	17,000,000	30,000,000	3,842,198

**Alternative Investment**

**EXECUTIVE SUMMARY OF ACTION TAKEN  
UNDER DELEGATION OF AUTHORITY  
NEA VIII, L.P.**

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**ACTION :** Commitment of \$50 million to NEA VIII a partnership of approximately \$ 500 million.

**Background:** NEA VIII is rated as a tier one partnership by STRS staff. STRS has current commitments to three NEA partnerships.

**Analysis:** NEA VIII qualifies as a follow-on funds identified in the Alternative Investments policies.

The investment thesis is based on the long term experience of the management team, its high quality deal flow, its proven investment strategy, the long term successful track record of the firm.

The NEA VIII investment strategy provides a good fit in the STRS portfolio; there is very little overlap with STRS' other venture capital limited partnerships.

NEA's venture capital strategy is consistent with the targets and ranges which have been approved by the Investment Committee to invest 16% of the Alternative Investments portfolio in venture capital limited partnerships.

**Policy compliance:** This decision complies with the portfolio policies and procedures approved by the June 3, 1998 Investment Committee.

A positive written recommendation by the Alternative Investment advisor and STRS' staff has been documented. This was the result of an investment analysis and due diligence being conducted in the same manner as previously reviewed by the Investment Committee.

**Recommendation:**

**Staff recommends that STRS commit \$50 million to NEA VIII which represents approximately 10% of the total capitalization of the fund. STRS' commitment is subject to negotiation of partnership terms and legal review.**

**By:**

\_\_\_\_\_  
**Trish Taniguchi**  
**Investment Officer**

**Date** \_\_\_\_\_

**Approved:**

\_\_\_\_\_  
**Real Desrochers**  
**Director of Alternative Investments**

**Date** \_\_\_\_\_

\_\_\_\_\_  
**Patrick Mitchell**  
**Chief Investment Officer**

**Date** \_\_\_\_\_